

TRUSTEES OF TRUST FUNDS INVESTMENT POLICY

TOWN OF WEBSTER

PURPOSE

This investment policy applies to all financial assets of the Trust Funds. These funds are accounted for in the Town's annual financial report and include:

- Common Trust Funds
- Capital Reserves Funds
- Other such trusts established or accepted by the Board of Selectmen and placed under the responsibility of the Trustees of the Trust Funds (hereinafter "Trustees").

The policy applies to all transactions involving the financial assets and related activity of all the foregoing funds.

INVESTMENT OBJECTIVES

Although risk is an inherent factor to any investment, there shall be performed such necessary reviews to ensure that principal is protected. Investment review will encompass, but not be limited to, the parameters set in this policy of the relevant variables and ratios for the various types of investments allowed. Investment purchase will be made with the intent of the investment being held long term (1 year or longer). In the case of Common Trust Funds the portfolio of the investments shall be operated on a collective basis (all common trusts sharing in common investments) in order to maximize the investment potential and efficiency.

The Trustees seek to attain a rate of return on their investments consistent with the constraints imposed by this policy, cash flow considerations and state laws that restrict the placement of trust funds. The Trustees shall act responsibly as custodians of the public trust. They shall avoid any transaction that might impair public confidence in the Trustees' ability to administer the trust funds effectively. In the process of meeting the above, investment decisions shall be made for each category of trust based on the following objectives:

Common Trusts

The investment objectives of the Trustees are two fold. The first objective is to seek growth in the portfolio in order to keep pace with or exceed economic inflation. As most common trusts are non-expendable in nature (only the interest may be spent), this will allow the trust funds to support higher future costs. The second objective is to seek income so the designated purposes of the trusts can be carried out.

Capital Reserve Funds

Due to the expendable nature and less predictability of the funds, the holding period is shorter, resulting in the investment objectives of the Trustees to maintain the principal and provide liquidity. Meeting these objectives may restrict the level of yield attainable.

STATUTORY AUTHORITY

This policy complies with the requirements of RSA 31:25 (Custody; Investment) and RSA 31:27 (Collective Investments for the Trust Funds) and RSA 35:9 (Investment of Capital Reserve Funds for Towns).

INVESTMENT AUTHORITY

The Trustees of the town of Webster are empowered with the authority and the responsibility to invest Town trust funds in a safe and prudent manner in order to provide an adequate return on those funds. The Trustees have the right to delegate the management of investing the Town trust funds day-to-day to a trust department of a bank or brokerage firm. RSA 31:38-a.

PRUDENCE

The standard of investment to be used by the Trustees, unless another standard is permitted and adopted, shall be the “prudent man rule” as that term is defined under RSA 31:25-b. The Trustees shall be permitted to adopt the “prudent investor” standard, after official adoption by the Trustees, notification of the attorney general in writing and the employment of a trust department of a bank or brokerage firm as required by RSA 31:25-d. The prudent investor standard shall be applied in the context of managing an overall portfolio and avoiding speculative investments. The Trustees as a whole, acting in accordance with written procedures and exercising due diligence, shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided that deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

ETHICS AND CONFLICT OF INTEREST

The Board shall refrain from personal business activity that could conflict with proper execution of the investment program. Any Trustee shall disclose to the Trustees any material financial interests of any matter that could be related to the performance of the trust portfolio. The Trustees shall subordinate their personal investment transactions to those of the trust funds, particularly with regards to the timing of purchases and sales of securities they are aware of.

INTERNAL CONTROLS

The Trustees shall establish a system of internal controls which shall be documented in writing. The Trustees shall review the internal controls and they will be subject to review as part of the Town’s annual independent audit. The controls shall be designed to prevent loss of public funds arising from fraud, employee error, and misrepresentation by third parties or imprudent actions by employees and officers of the Town.

REPORTING

The Trustees shall at a minimum meet quarterly and more frequently, if necessary, to review the investment report that summarizes portfolio cost and market value and performance of investments. The investment policy will be reviewed on an annual basis on or before December 31 by the Trustees. The trustees shall prepare and submit the necessary investment reports annually to the NH Attorney General’s Office, Charitable Trust Division. After review of the

Investment Policy, the Trustees may either confirm or amend the policy as appropriate. The Trustees must confirm or otherwise adopt the Investment Policy on an annual basis.

ELIGIBLE INVESTMENT FOR CAPITAL RESERVE FUNDS PER RSA 35:9

The moneys in capital reserve funds shall be kept in a separate account and not intermingled with other funds of the town. Said capital reserve funds shall be invested only in:

- a) Deposits in any federally or state chartered bank or association authorized to engage in a banking business in this state;
- b) Stocks and bonds as are legal for investment by banks and associations chartered by this state to engage in a banking business;
- c) Participation units in the public deposit investment pool established pursuant to RSA 383:22; and
- d) Obligations with principal and interest fully guaranteed by the United States Government.

ELIGIBLE INVESTMENT FOR TRUST FUNDS PER RSA 31:25

The Trust funds shall be invested only in:

- a) Deposits in any federally or state chartered bank or association authorized to engage in a banking business in this state;
- b) Deposits in credit unions in this state;
- c) State, county, town, city, school district, water and sewer district bonds and the notes of town or cities in this state;
- d) Stocks and bonds as are legal for investment by any bank or association chartered by the state to engage in a banking business;
- e) Participation units in the public investment pool established pursuant to RSA 383.22; and
- f) Obligations with principal and interest fully guaranteed by the United States government.

Please note that any person receiving Trust funds for deposit or investment in securities shall prior to accepting such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. The collateral shall be segregated for the exclusive benefit of the Town. Only securities defined by the bank commissioner, as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

FOREIGN ISSUERS:

Securities issued in foreign markets are not permitted investments

HOLDING PERIOD

There shall be no set policy for the holding period for specific securities. The Trustees shall determine, based on the quarterly review or more frequent periods if deemed necessary, whether any holdings have appreciated to highs that overprice the security, providing an advantageous opportunity for the sale of the security. Alternatively, the Trustees may sell a security that has fallen in price and believe it will not recover to higher levels over the long term, if ever, and may

continue to drop. The Trustees may take such other action with respect to the sale, acquisition, and holding of securities, for which they have good cause.

CONSTRAINTS

No security shall constitute more than 10% of the fund or \$10,000 whichever is greater, expecting deposits in any federally or state chartered banks or association authorized to engage in banking business in this state; credit unions in this state; obligations of the United States, the state of New Hampshire and its subdivisions; participation units in the public deposit investment pool established pursuant to RSA 383:22; or in shares of open ended mutual funds selected by the Trustees for investment under RSA 31:25 and provided further that the participating contributory interests of said trusts are properly evidenced by appropriate bookkeeping entries showing on an annual basis the capital contribution of and the profits and income allocable to each trust.

RISKS

The Board recognizes that investment risks can result from issuer defaults, market price change or various technical complications leading to temporary loss of liquidity. Portfolio diversification is to be employed as a way to control risk. The Trustees are expected to use prudence in the selection of securities as a way to minimize default risk. No individual investment transaction shall be undertaken that jeopardizes the total capital position of the specific issuer. The Trustees shall review and, if appropriate, proceed to liquidate any securities having comparable credit risks.

INELIGIBLE TRADING TECHNIQUES

In addition to the limitations described elsewhere in this policy, the Trustees shall refrain from engaging in the following techniques:

- a) No investments will be purchased on margin and no Trust securities shall be used as security to acquire additional investments.
- b) No trading shall occur involving selling short.

SAFEKEEPING AND CUSTODY

To protect against potential fraud and embezzlement and to provide central accounting and efficiency, all investment assets of the Trust shall be held in a brokerage account for safekeeping, or other financial institutions that meet or exceed industry guidelines for insurance protection standards. The Trustees shall review the security procedures of the brokerage firm to assure safety of Trust assets. The Trustees are authorized to take advantage of computerized purchase and sale methods in order to realize any discounts offered.

CAPITAL GAINS, DIVIDENDS AND INTEREST

Both short and long term capital gains or losses shall be accounted for as increases or decreases, respectively, of the principal of the trusts and shall be distributed to the individual trust at least quarterly, prorated based on the beginning principal position of the trusts.

All dividends and interest shall be considered an increase to the accumulated income of the trusts and shall be distributed to the individual trusts at least quarterly, prorated based on the beginning principal and accumulated interest position of the trusts.

Amended and Effective this _____ day of _____ 2010.

Judith M. Jones
Trustee

Brenda J. Silver
Trustee

Mary F. Smith
Trustee